

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 58225

BURLINGTON-EDISON SCHOOL DISTRICT No. 100

Skagit County, Washington

September 1, 1995 Through August 31, 1996

Issue Date: May 23, 1997

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BURLINGTON-EDISON SCHOOL DISTRICT NO. 100
Skagit County, Washington
September 1, 1995 Through August 31, 1996

**Independent Auditor's Report On Compliance With Laws And Regulations
At The Financial Statement Level (Plus Additional State Compliance
Requirements Per RCW 43.09.260)**

Board of Directors
Burlington-Edison School District No. 100
Burlington, Washington

We have audited the general-purpose financial statements, as listed in the table of contents, of Burlington-Edison School District No. 100, Skagit County, Washington, as of and for the fiscal year ended August 31, 1996, and have issued our report thereon dated March 18, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Burlington-Edison School District No. 100 is the responsibility of the district's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the district's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington (RCW) 43.09.260*. This statute requires the State Auditor to inquire as to whether the district complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the district's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the district and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted an instance of noncompliance immaterial to the financial statements which is identified in the Schedule of Findings accompanying this report.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 18, 1997

BURLINGTON-EDISON SCHOOL DISTRICT No. 100
Skagit County, Washington
September 1, 1995 Through August 31, 1996

Independent Auditor's Report On Internal Control Structure
At The Financial Statement Level

Board of Directors
Burlington-Edison School District No. 100
Burlington, Washington

We have audited the general-purpose financial statements of Burlington-Edison School District No. 100, Skagit County, Washington, as of and for the fiscal year ended August 31, 1996, and have issued our report thereon dated March 18, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the district is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the district, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters involving the internal

control structure and its operation that we consider to be reportable conditions are included in the Schedule of Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the Schedule of Findings is a material weakness.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 18, 1997

BURLINGTON-EDISON SCHOOL DISTRICT NO. 100
Skagit County, Washington
September 1, 1995 Through August 31, 1996

Schedule Of Findings

1. The Burlington-Edison School District Should Improve Controls Over Associated Student Body (ASB) Fund-Raisers

Following our prior audit, the district established an improved ASB fund-raising manual to address our concerns. During the current audit we noted a lack of compliance with the district's policies and procedures as follows:

- a. Prior approval was not always obtained for elementary school fund-raisers.
- b. The physical security of fund-raiser inventories was inadequate.
- c. Student sales recap forms were not consistently used.
- d. Inventory records were not consistently maintained.
- e. Reconciliations of cash received to expected revenue were not being performed properly for fund-raising activities. Although a member of the fund-raising committee had signed the reconciliation indicating a review had been performed, we noted numerous instances in which the reconciliations did not agree to actual revenues, expenses or inventory on hand.

The *Revised Code of Washington* (RCW) 43.09.200 states:

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction

The Superintendent of Public Instruction (SPI) *Accounting Manual For School Districts in the State of Washington* at Chapter III, Section G-1, page 4 states in part:

Access to resources and records should be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained. Periodic comparison should be made of the authorized access to systems with the current assignments of the individuals.

The SPI's *Accounting Manual For School Districts in the State of Washington* at Chapter III, Section G-1, page 3 states in part:

Internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be purposeful and useful to district management in controlling and/or analyzing operations

The district had established a revised ASB fund-raising manual to improve its internal controls. However, due to a lack of oversight and review by building management, the procedures were not followed.

As a result of the weaknesses cited above, errors and theft could occur and not be detected in a timely manner, if at all.

We again recommend the district work to strengthen their internal controls, maintain all records, and properly perform and review reconciliations of expected revenues to actual cash received.

Auditee's Response

We agree with your findings and will take appropriate actions to strengthen operational internal controls as indicated herein.

Concern

The district should improve controls over Associated Student Body (ASB) fund-raisers.

Action

Fund-raiser documentation - *The district will increase its in-service training for building staff with specific reference to established "fund-raiser guide" procedures. The fiscal office will continue to monitor fund-raiser requests and reconciliations.*

Physical security - *The fund-raiser request form will be modified to require specific information about inventory storage and security.*

Student sales recap & inventory records - *Increased emphasis will be made with building staff so they adhere to the procedures outlined in the "fund-raiser guide." Inventory records will be collected with the reconciliation at the end of each fund-raiser.*

Reconciliations - *The reconciliation forms will be reviewed and returned for re-submittal if not accurate. Failure to properly document the fund-raiser will result in a reprimand and possible denial of future fund-raisers.*

Auditor's Concluding Remarks

We would like to thank the Burlington-Edison School District for their response and to acknowledge their efforts in addressing the concerns. Based upon the district's representations, it appears the matters delineated in our report have been addressed or are being addressed. We will follow up on these matters in subsequent audits.

BURLINGTON-EDISON SCHOOL DISTRICT NO. 100
Skagit County, Washington
September 1, 1995 Through August 31, 1996

Independent Auditor's Report On Financial Statements

Board of Directors
Burlington-Edison School District No. 100
Burlington, Washington

We have audited the accompanying general-purpose financial statements of Burlington-Edison School District No. 100, Skagit County, Washington, as of and for the fiscal year ended August 31, 1996. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the general fixed asset account group, which should be included in order to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Burlington-Edison School District No. 100 as of August 31, 1996, and the results of operations for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 1997, on our consideration of the district's internal control structure and a report dated March 18, 1997, on its compliance with laws and regulations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 18, 1997

BURLINGTON-EDISON SCHOOL DISTRICT No. 100
Skagit County, Washington
September 1, 1995 Through August 31, 1996

Independent Auditor's Report On Supplementary Information
Schedule Of Federal Financial Assistance

Board of Directors
Burlington-Edison School District No. 100
Burlington, Washington

We have audited the general-purpose financial statements of Burlington-Edison School District No. 100, Skagit County, Washington, as of and for the fiscal year ended August 31, 1996, and have issued our report thereon dated March 18, 1997. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of Burlington-Edison School District No. 100 taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 18, 1997

BURLINGTON-EDISON SCHOOL DISTRICT No. 100
Skagit County, Washington
September 1, 1995 Through August 31, 1996

**Independent Auditor's Report On Compliance With The General Requirements
Applicable To Federal Financial Assistance Programs**

Board of Directors
Burlington-Edison School District No. 100
Burlington, Washington

We have audited the general-purpose financial statements of Burlington-Edison School District No. 100, Skagit County, Washington, as of and for the fiscal year ended August 31, 1996, and have issued our report thereon dated March 18, 1997.

We have applied procedures to test the district's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the fiscal year ended August 31, 1996:

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Administrative requirements, including subrecipient monitoring

The following requirements were determined to be not applicable to its federal financial assistance programs:

- Davis-Bacon Act
- Relocation assistance and real property acquisition
- Drug-Free Workplace Act

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the district's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the district had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 18, 1997

BURLINGTON-EDISON SCHOOL DISTRICT No. 100
Skagit County, Washington
September 1, 1995 Through August 31, 1996

Independent Auditor's Report On Compliance With Specific Requirements
Applicable To Nonmajor Federal Financial Assistance Program Transactions

Board of Directors
Burlington-Edison School District No. 100
Burlington, Washington

We have audited the general-purpose financial statements of Burlington-Edison School District No. 100, Skagit County, Washington, as of and for the fiscal year ended August 31, 1996, and have issued our report thereon dated March 18, 1997.

In connection with our audit of the financial statements of the district and with our consideration of the district's control structure used to administer its federal financial assistance programs, as required by OMB Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the fiscal year ended August 31, 1996. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing allowability of the program expenditures that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the district's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that Burlington-Edison School District No. 100 had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 18, 1997

BURLINGTON-EDISON SCHOOL DISTRICT No. 100
Skagit County, Washington
September 1, 1995 Through August 31, 1996

**Independent Auditor's Report On Internal Control Structure Used In
Administering Federal Financial Assistance Programs**

Board of Directors
Burlington-Edison School District No. 100
Burlington, Washington

We have audited the general-purpose financial statements of Burlington-Edison School District No. 100, Skagit County, Washington, as of and for the fiscal year ended August 31, 1996, and have issued our report thereon dated March 18, 1997.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit, we considered the district's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated March 18, 1997.

The management of the district is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.
- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the

structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
 - Cash disbursements
 - Purchasing and receiving
 - Payroll
- **General Requirements**
 - Political activity
 - Civil rights
 - Cash management
 - Federal financial reports
 - Allowable costs/cost principles
 - Administrative requirements, including subrecipient monitoring
- **Specific Requirements**
 - Types of services
 - Eligibility
 - Matching, level of effort, earmarking
 - Reporting
 - Special requirements
- **Claims For Advances And Reimbursements**

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
 - Cash receipts
 - Receivables
 - Accounts payable
 - Inventory control
 - Property, plant, and equipment
 - General ledger
- **General Requirements**
 - Davis-Bacon Act
 - Relocation assistance and real property acquisition
 - Drug-Free Workplace Act
- **Amounts Claimed Or Used For Matching**

During the fiscal year ended August 31, 1996, the district had no major federal financial assistance programs and expended 58 percent of its total federal financial assistance under the following nonmajor

federal financial assistance programs: National School Lunch (CFDA 10.555), Title I (CFDA 84.010A), and IDEA Title VI B (CFDA 84.027).

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the aforementioned nonmajor programs. Our procedures were less in scope than would be necessary to render an opinion on these internal control structures policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses, as defined above.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 18, 1997